

**Iowa Department of Natural Resources
Environmental Protection Commission**

ITEM

15

INFORMATION

TOPIC

Air Quality - Title V Fee Budget Review

The Commission will be asked to consider the SFY 2007 Title V budget in anticipation of setting the annual Title V fee at the May Commission meeting. The Air Quality Bureau budget is summarized in the attachment for information. Expenditures paid from the Title V fee fund are included in the budget. A summary of anticipated revenues is outlined at the end of the budget. A description of all expenditure areas and funding sources is listed below.

The Title V fee is based on the first 4,000 tons of each regulated air pollutant emitted each year from each major stationary source in the state. The fee is used to support the development and administration of activities associated with major sources subject to the Title V Operating Permit Program.

Annually on March 31, sources required to obtain Title V Operating Permits submit to the department annual emissions statements for the previous calendar year. The Department totals these emissions and provides that information to the Commission no later than the May meeting. The Commission will then be asked to set the fee based on the program budget.

Air Quality Funding Sources and Cost Centers - The Air Quality Bureau budget is divided into three primary areas: Air Quality Program, Air Title V Program, and PM2.5 Monitoring. Expenditures in the two primary program areas (Air Quality Program and Air Title V) are divided between multiple expenditure (cost center) accounts and a variety of funding sources as listed in Table 1.

Clean Air Act section 105 money is awarded to the department through a Performance Partnership Grant (PPG) with the EPA. The PPG is the financial component of the Performance Partnership Agreement (PPA). The department negotiates the PPG on an annual cycle while the PPA is negotiated on a two-year cycle. The PPA contains the mutually agreed upon goals that the EPA and DNR will work together to achieve during the two year agreement period. For air quality, the tasks that must be accomplished to achieve the agreed upon goals are contained in the 105 work plan, which is an attachment to the PPA. No Title V money is included in the PPG.

Table1. Summary of Cost Centers and Funding Sources

Program Area	Expenditures (Cost Center)	Funding Source*
Air Quality Program includes:		
Air Quality central office base program	7220	CAA 105 & GF
Air Quality field office base program	7419	CAA 105 & GF
IT Support	3510	CAA 105 & GF
Air Title V includes:		
Legal Services	1430	TV Fees
Title V Information & Education	1556	TV Fees
Title V Operating Permit Program	7230	TV Fees
Title V Field Program	7421	TV Fees
IT Support	3520	TV Fees
PM 2.5 Monitoring includes:		
PM 2.5 Monitoring network	7240	CAA 103

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- * CAA 105 – Clean Air Act section 105 grant with a state match required
CAA 103 – Clean Air Act section 103 grant with no state match required
GF – Legislatively appropriated General Funds
TV Fees – Title V fees
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Carryover Funds - The Bureau has been working each year since the program's inception to develop a budget that more accurately reflects the amount of funding required to implement the Title V program. The Air Quality Bureau budget is planned each year with approximately a one percent reserve. This is considered to be an adequate margin to offset factors such as higher than expected expenses, changes in the actual emissions reported, and reimbursement of fees to companies that may have over paid Title V fees in previous years.

Title V Budget Changes – The department met with a representative group of the core Title V fee payers on January 19, 2006. The fee payers reviewed the draft budget and supported the changes listed below. Total Title V Fund expenditures are proposed to be increased from the current SFY 2006 budget levels by 5% or \$415,000 in the SFY 2007 budget. The fee is proposed to increase by 6%, from \$31.60 to \$33.60. Over the period from SFY 2005 through SFY 2007, the fee has only increased by 4% due to a decrease in the fee in SFY 2006 from \$32.25 to \$31.60. Details on where changes to the budget are being proposed are listed in the attached spreadsheet in the “Notes” column.

1. Personnel and indirect costs: As the personnel costs have not been finalized, the department is using a five percent increase across the board for all FTE positions that are not capped. The indirect costs will increase from 11.46 percent to 12.29 percent in SFY 2007. Due to the annual shortfall from increased personnel costs, two FTEs were shifted from cost center 7720 to Title V. This will result in an increased level of effort on major sources. The IT consolidation in August 2005 resulted in four FTE were shifted from

this cost center to the new Title V – IT cost center (3520). The department will also create a FTE position to provide asbestos assistance to Title V sources.

2. Professional Services:

- The Linn and Polk County Local Air Quality Programs have increased personnel and benefits costs.
- The UHL contract amount reflects an increase of five percent due to increased personnel costs. The shortfall in PM 2.5 monitoring money of \$42,000 due to a reduction in CAA 103 money has also been added into the contract.
- The UNI small business assistance agreement amount reflects a small increase to cover increases in personnel costs.
- The department plans to contract with a computer consultant to continue working on SPARS maintenance issues.
- The department has budgeted \$30,000 to maintain the existing scanned images with the department's image scanning contractor Lason and proposes to spend an additional \$30,000 to continue to scan construction permit files as they come into records. This number is based on the average number of permits, correspondence, etc. that comes into records.

Actual Emissions Estimate – The department is projecting that the statewide calendar year emissions for 2005 will be very close to the average annual emissions of 230,000 tons. Actual emissions data will not be available for all Title V facilities until March 31, 2006.

Livestock Air Monitoring – As indicated in Governor Vilsack's proposed budget, the department has requested an additional appropriation that will include funding for operational expenses related to the on-going animal feeding operation field study of hydrogen sulfide and ammonia. It is still unknown at this time whether the funding will be approved by the legislature. This funding does not affect the Air Quality Program, Air Title V Program, or PM2.5 Monitoring.

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Environment Services Division

February 28, 2006

SFY 2006 Draft Title V Budget

Item	Cost Center & Expenditure Category	SFY 2005 Actual	SFY 2006 Budget	Estimated SFY 2007 Budget	Difference 07-06	Notes
	<u>Legal Services- (1430)</u>					
1	Total	108,151	107,845	113,237	5,392	5% increase for personnel costs
	<u>Air Title V - I&E (1556)</u>					
	FTE	1.00	1.00	1.00		
2	Total	83,115	92,373	69,596	-22,777	Change in position with 5% increase for personnel costs
	<u>PPG - IT (3510)</u>					
	FTE	0.00	0.00	1.00		The IT consolidation occurred after the start of the SFY 06
3	Total	0	0	113,544	113,544	fiscal year. This reflects the amount of IT effort on the grant.
	<u>Air Title V - IT (3520)</u>					
	FTE	0.00	0.00	4.00		This change is also due to the IT consolidation. This amount
4	Total	0	0	450,628	450,628	reflects the amount of IT effort for the Title V program.
	<u>Air Quality Program (7220)</u>					
	FTE	18.50	17.50	14.50		FTE shift due to IT consolidation (1 FTE to 3510) and EPA CAA reduction (2 FTE to 7230)
5	Personnel	1,141,821	1,243,934	1,057,000	-186,934	5% increase for personnel costs
6	Travel, vehicle operation & depreciation	22,582	30,620	27,480	-3,140	
7	Supplies	28,958	28,550	28,650	100	
8	Communications	16,539	20,000	20,000	0	
9	Rent and Monitoring Utilities	67,169	59,000	59,000	0	
10	Professional Services (Total)	563,068	569,000	573,455	4,455	
10a	Linn County Local Program Agreement	[126,652]	[126,652]	[122,852]	-3,800	Reduction in EPA CAA funding
10b	Polk County Local Program Agreement	[158,356]	[171,038]	[165,907]	-5,131	Reduction in EPA CAA funding
10c	UHL Agreement	[259,329]	[271,139]	[284,696]	13,557	5% increase for personnel costs
10d	Bi-State	[16,200]	[0]	[0]	0	
10e	Other	[2,531]	[171]	[0]	-171	
11	Outside services	27,282	21,000	21,000	0	
12	Advertisement, reimbursements	15,186	9,000	9,000	0	
13	Equipment	7,799	82,000	80,500	-1,500	Air monitoring equipment & IT equipment
14	Equipment Non-inventory.	0	13,000	12,500	-500	
15	Indirect charges	138,731	142,555	129,905	-12,650	
16	Total	2,029,135	2,218,659	2,018,490	-200,169	

SFY 2006 Draft Title V Budget

Item	Cost Center & Expenditure Category	SFY 2005 Actual	SFY 2006 Budget	Estimated SFY 2007 Budget	Difference 07-06	Notes
	<u>Air Title V Program (7230)</u>					
	<u>FTE</u>					<i>FTE shift due to IT consolidation (4 FTE to 3520), EPA CAA reduction (2 FTE from 7220), and one new FTE for major source asbestos projects</i>
		48.75	52.00	51.00	-1.00	
17	Personnel	3,188,429	3,641,400	3,592,000	-49,400	<i>5% increase for personnel cost.</i>
18	Travel, vehicle operation & depreciation	93,099	79,600	70,600	-9,000	<i>Travel expenses shifted to Title V - IT (3520)</i>
19	Supplies	69,512	84,700	87,600	2,900	
20	Communications	111,866	65,000	60,000	-5,000	
21	Rent and Monitoring Utilities	154,595	183,000	173,000	-10,000	
22	Professional Services (Total)	2,249,866	2,535,332	2,568,109	32,777	
22a	Computer Consultant Services	[142,578]	[100,000]	[50,000]	-50,000	<i>SPARS maintenance assistance</i>
22b	Linn County local program agreement	[443,222]	[492,094]	[521,847]	29,753	<i>Increase for personnel costs</i>
22c	Polk County local program agreement	[461,872]	[499,426]	[508,164]	8,738	<i>Increase for personnel costs</i>
22d	Environmental Liaison	[39,263]	[65,000]	[50,000]	-15,000	<i>DED's program is now multimedia & receiving funds from other parts of the DNR.</i>
22e	UNI Small Business Assistance agreement	[422,644]	[436,433]	[439,600]	3,167	<i>Increase for personnel costs</i>
22f	UHL Agreement	[709,487]	[882,379]	[968,498]	86,119	<i>5% increase for personnel costs and includes shortfalls in PM 2.5 monitoring</i>
22g	Attorney General's Office	[30,000]	[30,000]	[30,000]	0	
22h	Other	[800]	[30,000]	[0]	-30,000	
23	Outside services (Total)	169,977	84,000	71,500	-12,500	
23a	Misc.	[39]	[1,000]	[1,000]	0	
23b	Computer maintenance (Software)	[735]	[0]	[0]	0	<i>Decreased due to a shift in accounting codes, item moved to line 17 - Supplies.</i>
23c	Filter replacement and Misc.	[0]	[5,000]	[7,500]	2,500	
23d	Temporary Services	[0]	[15,000]	[0]	-15,000	<i>Occasional assistance for data/paper management</i>
23e	Interagency Delivery	[2,938]	[3,000]	[3,000]	0	
23f	Merit Resources Positions	[56,433]	[0]	[0]	0	<i>Merit Resources staff converted to state FTE in SFY 2005</i>
23g	Image Scanning	[109,832]	[60,000]	[60,000]	0	<i>Funding for maintenance of scanned image records (\$30,000) and for ongoing scanning projects (\$30,000)</i>
24	Advertisement, reimbursements	25,496	18,000	16,500	-1,500	
25	Equipment (Total)	195,713	183,000	180,300	-2,700	
25a	Air monitoring & Lab equipment	[78,990]	[80,000]	[80,000]	0	
25b	Computer hardware purchase	[70,825]	[103,000]	[100,000]	-3,000	
25c	Office equipment & furniture	[45,898]	[0]	[300]	300	
26	Equipment Non-inventory.	102,376	37,000	34,000	-3,000	<i>Reduction based on projected expenses</i>
27	Other expenses	9,870	12,000	11,300	-700	
28	Indirect charges	387,394	417,304	441,457	24,153	
29	Total	6,758,193	7,340,336	7,306,366	-33,970	

SFY 2006 Draft Title V Budget

Item	Cost Center & Expenditure Category	SFY 2005 Actual	SFY 2006 Budget	Estimated SFY 2007 Budget	Difference 07-06	Notes
	<u>PM 2.5 Monitoring (7240)</u>					<i>EPA CAA 103 funding decreased</i>
30	Total	602,203	515,260	473,754	-41,506	
	<u>DOT ICAAP Grant (7260)</u>					
	FTE	0.25	0.00	0.00		<i>No grant funds for SFY 2007 for the ad campaign</i>
31	Total	209,036	42,000	0	-42,000	
	<u>Air Quality Field Program (7419)</u>					
	FTE	3.00	3.00	3.00		<i>5% increase for personnel costs</i>
32	Total	208,326	247,190	261,234	14,044	
	<u>Air Title V Field Program (7421)</u>					
	FTE	6.00	6.00	6.00		<i>5% increase for personnel costs</i>
33	Total	515,827	570,099	594,448	24,349	
	<u>Livestock Air Monitoring</u>					
	FTE	0.00	0.00	0.00		<i>AFO monitoring network established.</i>
34	Total	454,682	360,716	275,000	-85,716	
Revenue and Expenditure Summaries						
	<u>PPG (105 Federal Grant & Match)</u>					
35	Total Revenue	2,402,437	2,465,849	2,395,210	-70,639	
35a	General Fund	[1,288,000]	[1,288,000]	[1,288,000]	0	
35b	Federal 105 air grant	[1,098,237]	[1,098,237]	[1,057,210]	-41,027	
35c	Performance Partnership Grant (PPG)	[16,200]	[79,612]	[50,000]	-29,612	
36	Total Expenditures	2,237,461	2,465,849	2,393,268	-72,581	
36a	PPG - IT (3510)	[0]	[0]	[113,544]	113,544	
36b	Air Quality Program (7220) Total	[2,029,135]	[2,218,659]	[2,018,490]	-200,169	
36c	Air Quality Field Program (7419) Total	[208,326]	[247,190]	[261,234]	14,044	
37	Revenues - Expenditures	164,976	0	1,942	1,942	

SFY 2006 Draft Title V Budget

Item	Cost Center & Expenditure Category	SFY 2005 Actual	SFY 2006 Budget	Estimated SFY 2007 Budget	Difference 07-06	Notes
	<u>Title V</u>					
38	Total Revenue	8,653,564	8,866,148	8,605,095	-261,053	
39a	Balance forward	[775,338]	[1,288,614]	[747,095]		
39b	Title V fees	[7,474,034]	[7,419,078]	[7,728,000]	308,922	
39b(1)	Tonnage	231,753	234,781	230,000		
39b(2)	Fee/ton	32.25	31.60	33.60		
39c	Fund interest	[143,412]	[120,000]	[130,000]	10,000	
39d	Under and Over Payments	[260,780]	[38,456]	[0]	-38,456	
40	Total Expenditures	7,364,950	8,119,053	8,534,275	415,222	
40a	Legal Services (1430) Total	[108,151]	[107,845]	[113,237]	5,392	
40b	Air Title V - I&E (1556) Total	[83,115]	[92,373]	[69,596]	-22,777	
40c	Air Title V - IT (3520)	[0]	[0]	[450,628]	450,628	
40d	Air Title V Program (7230) Total	[6,616,050]	[7,340,336]	[7,306,366]	-33,970	
40e	Smoking Tailpipe (7260) Total	[41,807]	[8,400]	[0]	-8,400	
40f	Air Title V Field Program (7421) Total	[515,827]	[570,099]	[594,448]	24,349	
41	Revenues - Expenditures	1,288,614	747,095	70,820	-676,275	
	<u>103 Federal Grant (PM 2.5)</u>					
42	Total Revenue	639,883	515,260	473,754	-41,506	
43	Total Expenditures	602,203	515,260	473,754	-41,506	
44	Revenues - Expenditures	37,680	0	0	0	
	<u>DOT ICAAP Grant</u>					
45	Total Revenue	251036	42,000	0		
46	Total Expenditures	209,036	42,000	0		
47	Revenues - Expenditures	42,000	0	0		
	<u>Livestock Air Monitoring Cost Center</u>					
48	Total Revenue	454,682	360,716	275,000	-85,716	
49	Total Expenditures	454,682	360,716	275,000	-85,716	
50	Revenues - Expenditures	0	0	0	0	
	Staffing Summary					
	<i>I&E</i>	1.00	1.00	1.00	0.00	
	<i>IT</i>	0.00	0.00	5.00	5.00	
	<i>Field Office FTE</i>	9.00	9.00	9.00	0.00	
	<i>Air Quality Bureau FTE</i>	67.50	69.50	65.50	-4.00	
	<i>Total Air Quality FTE</i>	77.50	79.50	80.50	1.00	
	Total Air Quality Budget	10,968,668	11,494,478	11,676,297		
	Note: Items listed with a square bracket [] are subelements of a larger category. For example, Item 8 "Professional Services (Total)" has a number of subelements listed (8a-8g) that together comprise the total.					